

International Association of Consulting Actuaries

The Actuarial Profession & Consulting Actuaries in the 21st Century



Our Agenda this morning

- Overview Presentations 60 min.
Norm Crowder - US environment
Paul Thornton - UK and Europe
Alice Gannon - Casualty worldwide
Stuart Wason- Canada/Latin America
Dick Mitchell - Australia/Asia
- Questions & Answers 30 min.



US Environment Topics to be Covered

- Major Forces at Work
- Long Term Trends
- Major Challenges Ahead
- Closing Comments



3

Major Forces -- Life Insurance

- Rapid Period of Change - exposure to the real world?
 - Globalization - continues
 - Financial Services consolidation remains to happen
 - Changing distribution & customers
 - costs & value of current systems



4

Major Forces - Life Insurance

- Impact of Internet
- New customer demands - who's in control ?
- Recent Tillinghast survey - Top 3 CEO issues:
 1. Distribution effectiveness & productivity 85%



5

Major Forces - Life Insurance

2. Increased competition, restructuring and consolidation 63%
3. Changing market & customer demands 45%

Are these forces confined to life insurers only??



6

Long Term Trends/needs - Life

- **Lower cost of product**
 - in overhead, distribution & service
 - competing with mutual funds, etc.
- **Making distribution more effective**
 - more value/info from systems
 - marketing/selling info - targeting
- **New skills vs. traditional actuarial expertise - need to extend work**



7

Long Term Trends/needs - Life

- learn new skills? marketing, customer service, processing
- add new practitioners?
- need for multidisciplinary teams
- actuaries may no longer in control

Share, or not grow?



8

Long Term Trends/Needs - Life

- **Rising customer control**
 - agent may have lesser role
 - new generation wants information, control and service **INSTANTLY**
- **Multinational dimensions**
 - non-US regulatory rules
 - different cultures



9

Major Forces - Pensions

- **Continued DB decline**
- **Rethinking retirement policy?**
 - Flexible retirement
 - Growing participant control or say decisions - consumerism?
- **Continued focus on investment expertise: performance measuring, recordkeeping, etc.**



10

Long Term Trends - Pensions

- End to paternalism - determinism
- Desire to lower benefit costs - overall
- Lower input to retirement needs
- Return to flex benefits?
- Direct relations between participants and investment & admin vendors



11

Major Challenges Ahead

1. Ability to change and grow
 - Rapidly changing world
 - "Givens" dangerous to rely on
 - half-life of service or product - declining and rapidly

You can not sit back and relax



12

Major Challenges Ahead

2. Need to watch customers closely

and react fast

- no longer a closed/controlled environment
- company/agents not in control
- new players challenging



13

Major Challenges Ahead

3. Learn to share

- traditional actuarial tools no longer key, in many cases
- fuller range of skills required
- become a problem-solver, not just an insurance/benefits math
- become the project leader



14

Major Challenges Ahead

4. Broaden your perspective

- actuaries DIDN'T hang to moon!
- stable, closed environment gone
- multi-national issues abound
- must learn about other parts of financial services, e.g. banking
- need to establish credibility. beyond traditional actuarial



15

Closing Comments

- It's all about change
 - it's here and it will continue
- And the need to keep growing
- He who sits back and rides on reputation and past work, will be **GONE** in short order



16